

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Knox Analyst: Roger Lackey Bill Number: AB 1636
Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 06-21-99
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: HRA/Household Income Limit Adjustment/Increases Full Property Value From \$34,000 To \$37,400

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO Pending.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would increase the property value amount used to calculate benefits for the homeowners assistance program from \$34,000 to \$37,400 and would increase the property tax equivalent amount for the renters assistance program from \$250 to \$275.

SUMMARY OF AMENDMENT

The June 21, 1999, amendment deleted the earlier language that would have provided a taxpayer 120 days to bring an action after a determination by the State Board of Equalization and added the language discussed in this analysis.

LEGISLATIVE HISTORY

SB 1464 (1997/98) proposed increasing the income limits for the homeowners and renters assistance program to properly reflect inflation, a proposal which was enacted in AB 2797 (Stats. 1998, Ch. 322).

EFFECTIVE DATE

This bill would be effective January 1, 2000.

PROGRAM HISTORY/BACKGROUND

Since 1968, California has provided relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters and was based on a property tax equivalent amount estimated to be paid by renters.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Department Director

Date

Gerald Goldberg

6/30/1999

Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program. This program is called Homeowners and Renters Assistance (HRA) and is administered by the Franchise Tax Board (FTB).

SPECIFIC FINDINGS

The assistance amount under the HRA program represents a partial reimbursement of the previous fiscal year's property taxes on personal residences paid directly by homeowners and indirectly by renters. For renters, a payment of \$250 in property tax is assumed. Relief for homeowners and renters is based on a percentage of the property tax. This percentage varies inversely to the applicants' income levels and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed \$33,132. Total household income consists of adjusted gross income (as computed for tax purposes) increased by nontaxable income including social security, cash public assistance, pensions and annuities (not otherwise taxable), unemployment insurance, tax-exempt interest, life insurance proceeds, gifts in excess of \$300, and worker's compensation payments. Also, the gross household income cannot exceed \$60,240. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from May 15 through August 31, inclusive. However, the FTB may accept claims through June 30 of the year following that for which assistance is claimed, given certain extenuating circumstances such as documented medical disability during the normal filing period. It takes up to 15 weeks to process a claim.

This bill would increase the property value amount used to calculate benefits for the homeowners assistance program from \$34,000 to \$37,400.

Also, **this bill** would increase the property tax equivalent amount for the renters assistance from \$250 to \$275.

Implementation Considerations

Implementing this bill would not significantly impact the department's programs and operations.

Technical Considerations

The property value figure of \$34,000 also is used in Section 20542 of the Revenue and Taxation Code, which also should be revised to the \$37,400 amount.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact departmental costs.

Tax Revenue Estimate

The projected increase in assistance payments over the initial three years is as follows:

HRA Impact of AB 1636 (6/21/99) Effective for Claims Filed After December 31,1999 Additional Assistance (In Millions)		
2000-1	2001-2	2002-3
(\$8)	(\$8)	(\$9)

This analysis does not take into account any change in employment, personal income, or gross state product that may result from this bill becoming law.

Tax Revenue Discussion

The amount of additional assistance payments each year would depend on the number of qualified renters and homeowners filing for assistance for whom an increase in property tax relief would result under this bill as amended. All renters would receive the increase, but only homeowners with net assessed values exceeding \$34,000 would benefit.

For the year 2000, it is projected that additional payments would amount to \$7 million for renters and \$1 million for homeowners. Approximately 350,000 renter claimants and 50,000 homeowner claimants would benefit under the proposal.

BOARD POSITION

Pending.

The Franchise Tax Board had voted to support the language in this bill as introduced March 3, 1999.